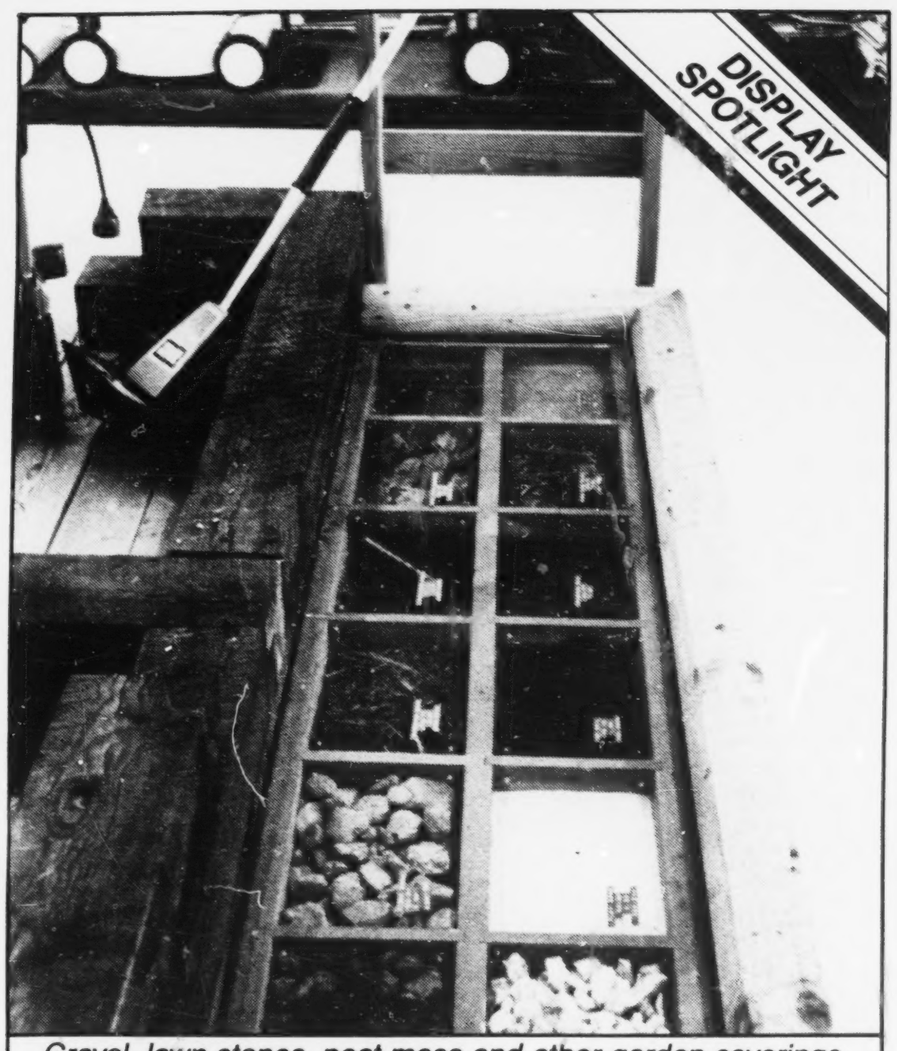

Gravel, lawn stones, peat moss and other garden coverings are shown under glass in a compartment wood display constructed in Busy Beaver's Niles, Ohio, unit. NHCN photo

Distributors, dealers like Toro's return to two-step

NATIONAL REPORT—Toro distributors and dealers have generally reacted favorably to the recent decision by the outdoor power equipment company to return to two-step distribution for all its high-service products. The full effect of the Toro action, however, may not be clear for some time.

"We've just finished with the first of two dealer meetings," said Peter McDonough, president of Summit Power Equipment Distributors, Fort Wayne, Ind. "Reaction has been extremely positive. It shows that dealers have been waiting to get back on the ball team."

However, he added that it was "awfully early to predict sales increases."

It may take three years for the picture to brighten because of excess inventory, according to Toro dealer Ludwig Euler, of L&M Lawnmower, Massapequa, N.Y.

"I'm sitting down here now with 45 Toro lawn mowers. This time we're usually reordering," he said. "Come the winter, I can not pay my employees with mowers.

"It will take several years before all the equipment out there gets eaten up. By 1983 there will be a marked increase in dealers carrying the product," Euler said. "In three years it will become lucrative."

"I don't agree," said Bob O'Brien, president of Century Toro, Toledo, Ohio. "It's true as far as snow equipment. As far as walk behind and rider mowers, there's not that much supply."

Strong promotion programs will be sufficient to move what inventory remains, according to O'Brien, whose company distributes Toro throughout most of Ohio, south Michigan and

(Continued on page 42)

Toro outdoor power equipment may be merchandised in fewer home centers next season because of the company's decision to return to two-step distribution. NHCN photo

Home production hits new low

Northwest mills face shutdowns

REGIONAL REPORT—In lumber mill towns throughout the Northwest, the news last month that single-family home production had hit a record low was but a chilly promise that mill slowdowns may well mean mill shutdowns this fall.

As of the middle of last month, when the latest housing figures were released, 113 of 756 western mills had stilled their blades. Another 271 mills in the 12-state region were operating under curtailed schedules.

Altogether, some 49,200 woodworkers (48%) of 102,000 mill employees in the West were either out of work, or working short or alternate shifts, according to the latest figures from the Western Wood Products Assn. Forest products giant Louisiana-Pacific alone has laid off 2,000 employees in the past few months.

Caught in a squeeze

Perhaps typical of the housing industry's blight is the town of Potlatch, Idaho. There, tucked in the Palouse River valley, the mill that became the namesake for the now-mighty Potlatch Corp., having survived even the Great Depression, fell silent at summer's end, closed "indefinitely," leaving 183 workers—about half the town's workforce—without jobs.

"Looking to the remainder of 1981," lamented WWPA executive vice president, H. A. Roberts, "there is nothing on the horizon that would indicate that our situation is going to improve."

While the forest products industry has grappled with housing recessions before, none have been so protracted, nor so deep, as the current recession, now entering its 35th month. What concerns most industry analysts now, however, is the belief that the sustained levels of 16% to 19% interest rates that have crippled the housing industry, may not abate for an-

(Continued on page 41)

Loophole in savings plan may divert housing funds

WASHINGTON—The All Savers Certificate, hailed only two months ago as a lifeboat of relief for the ailing housing industry, now appears to be riddled with leaks.

Loopholes in the law that authorized the new 12-month, tax-exempt savings certificates have given banks and thrift institutions a way to circumvent a key requirement that 75% of the funds raised with the certificates be used for housing and agricultural loans.

While the law is still expected to help the beleaguered savings and loan industry, housing analysts now admit their original projections (*NHCN*, Sept. 14) for a surge in home starts, as a result of increased availability of mortgage money, were overoptimistic.

"The major problem is that the law expires in one year," conceded Michael Sumichrast, chief economist for the National Assn. of Home Builders, referring to the Dec. 31, 1982 expiration of the certificates.

With the current high yields on short term investments, lenders have little incentive to make lower yielding, long-term mortgage loans, particularly with funds that will only be available for 15 months.

Congress could renew the certificates, but few lenders expect that to occur.

What gives the banks and thrift institutions the flexibility to put All Savers funds to work

(Continued on page 42)

Starts fall 10.7% from July pace

WASHINGTON—The release of August housing figures sounded alarms throughout the home building industry last month as single-family home starts plunged to a record low, and declining rates for building permits indicated the industry's plight was worsening.

"The situation is desperate," declared Herman J. Smith, president of National Assn. of Home Builders. "Interest rates must come down and come down soon."

The problem is, according to Mark Reidy, executive vice president of the Mortgage Bankers Assn. of America, that housing rates are going lower before any recovery can be expected.

According to Commerce Department figures, a 34.2% monthly decline in the seasonally adjusted annual rate of new home starts in the Northeast, to 102,000 units, along with a 5.4% decline in the South, to 469,000 units, contributed to a 10.7% decline nationally in the rate of new home starts, from 1,049,000 units in July to 937,000.

The August rate was less than May 1980's revised rate of 938,000 units, making August the worst month in the current 35-month-long housing recession and the third worst month on record. The only time housing starts have been lower was in February 1975, when the rate dipped to 904,000 units, and in October 1966, when housing starts hit an all-time low.

Meanwhile, the construction of only 55,700 new single-family homes begun in August—20.4% fewer than in July, and 39.5% fewer than in August 1980—plunged the annual rate for August to a scant 591,000 units, a decline of 16.4% from July, and the lowest level since the Commerce Department be-

(Continued on page 4)

August housing activity

Data for actual new home starts and permits;
(Bold numbers in parentheses are seasonally adjusted annual rates)

	STARTS			PERMITS		
	August Starts in 1,000's	% Change from July	% Change from August '80	August Permits in 1,000's	% Change from July	% Change from August '80
Northeast	10.7 **(102)**	−35.0 **(−34.0)**	−23.0 **(−22.0)**	9.5 **(101)**	−13.0 **(−11.0)**	−15.0 **(−17.0)**
North Central	14.6 **(154)**	−17.0 **(−11.0)**	−30.0 **(−29.0)**	9.6 **(103)**	−17.0 **(−12.0)**	−53.0 **(−53.0)**
South	42.2 **(469)**	− 5.0 **(− 5.0)**	−33.0 **(−32.0)**	37.3 **(445)**	− 8.0 **(− 3.0)**	−30.0 **(−29.0)**
West	18.1 **(212)**	−17.0 **(− 6.0)**	−45.0 **(−43.0)**	18.6 **(214)**	−13.0 **(− 4.0)**	−45.0 **(−45.0)**
Total Housing	85.7 **(937)**	−15.0 **(−11.0)**	−34.0 **(−34.0)**	75.0 **(863)**	−12.0 **(− 6.0)**	−37.0 **(−36.0)**
Single Family	55.7 **(591)**	−20.0 **(−16.0)**	−40.0 **(−39.0)**	44.3 **(491)**	−14.0 **(− 7.0)**	−41.0 **(−42.0)**

Source: Department of Commerce; NHCN chart.

The rate of single-family home starts in August fell to its lowest level since the Commerce Department began keeping records in 1959. Declines in building permits for the fourth straight month indicate the housing slump is worsening.

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Vol. 7, No. 21 October 12, 1981

Anawalt Lumber opens unit geared toward retail sales

NORTH HOLLYWOOD, Calif.—Anawalt Lumber, traditionally a contractor- and lumber yard-oriented company, has opened a new home center geared to retail sales.

The 27,000-sq.-ft. unit is the seventh Anawalt in the Los Angeles area. A company official added, however, that the seven units are operated by relatives under three separate corporations and that each company does its own buying.

The newest store is one of three units operated north of Los Angeles and headquartered in the San Fernando Valley community of Pacoima. Hal Anawalt is president of the company.

Anawalt was founded in 1921 and has been lumber-oriented throughout its history. The new store, which celebrated its grand opening in mid-September, reflects a lumber orientation in that nearly half of the store is comprised of an extensive assortment of lumber and building materials.

The rest of the home center, which is totally indoors, is comprised of hardware, electrical, plumbing, paint and other home center basics.

There is no automotives department, and housewares has been restricted to a limited assortment of dish drains and cleaning products.

While company officials declined to discuss specifics, one store executive said the home center was definitely targeted more at the consumer than other Anawalts. At the same time, he added that the store remains oriented toward lumber and hardware and is avoiding departments such as lawn and indoor furniture and automotives.

The new store's lumber and building materials area incorporates concrete floors and reflective ceilings above suspended fluorescent lighting. This lends a warehouse look to the area and visually separates it from the rest of the store, which uses off-white tile floors and black-painted ceilings.

The store's graphics and signage emphasize the use of wood strips, very much like Builders Emporium.

The new Anawalt also incorporates wooden mannequins which greet the customers at the entrance to the store.

The most novel mannequin, however, is one dressed in jeans and a checkered shirt. The mannequin hangs by its feet from the ceiling. A sign pinned to the shirt of the upside-down figure reads: "I was a shoplifter."

Starts fall

(Continued from page 2)

gan keeping records in 1959.

The sustained level of high mortgage interest rates, housing analysts maintain, continues to undermine any chances for even a modest recovery in the home building industry until next year.

Only 44,300 permits for new single-family homes were approved in August, dropping the annual rate to 491,000 units—7% below July's rate, and 41.5% below the rate of August 1980.

While representatives from the NAHB, the National Assn. of Realtors, the National Forest Products Assn., and other affiliated trade groups have organized a coalition against high interest rates, it was clear from Federal Reserve Board chairman, Paul A. Volcker, that there would be little relief from high interest rates in the near future.

"If the Federal Reserve were to try to lower interest rates by expanding the money supply too aggressively," wrote Volcker in a recent letter to National Forest Products Assn. president, Mickey Whiting, "I am convinced the resultant increase in inflationary expectations would lead to even higher interest rates. The only solution I see in the short run is further action to reduce the Federal deficit."

Arthur Krausman (r.), and Frank Henry (second from left), Ace Hardware's chairman and vp-merchandising, respectively, welcome Ted Traskos (l.), the chairman of the 36-unit ACO chain, Farmington Hills, Mich., to Ace's annual Fall Buying Show in Detroit. The unidentified woman is an employee of ACO. NHCN photo

Crowds, enthusiasm mark Ace Hardware's Fall Show

DETROIT—Big crowds and visible dealer enthusiasm pervaded this year's Ace Hardware Fall Buying Show, held at the Convention and Exposition Center here last month.

Twelve hundred dealers, and a total of more than 8,000 people, attended the three-day affair, up slightly from last year's attendance at the fall show in Denver.

While actual sales generated at the exhibitors' booths on the show floor were unavailable at presstime, *NHCN* observed that a good portion of the manufacturers were seeing strong buying activity and attention from Ace member-dealers walking the show's 16 aisles.

On the first morning of the show, dealers were welcomed by Ace chairman Arthur Krausman and president Steven Walton, each of whom gave a brief outline of the co-op's operational and financial state.

In addition, new products and marketing strategies were introduced, including Ace's new private label program for its faucets.

According to Ace's plumbing buyer Len Bottom, private label will continue to be employed on "high volume, high profile" products, though he conceded that "private label just isn't suitable for most of the goods we distribute. You have to be selective, and put your name on products with a proven track record."

A casual look throughout the show saw Ace's name on lawn mowers, light bulbs, paint, duct tape and several other items being exhibited by manufacturers.

"We want to give our dealers as much identification with the co-op's name as possible," said Bottom.

According to chairman Krausman, sales for the 4,000-member Ace, located in Oak Brook, Ill., were up "around 14%" over the same period last year. "We'd love to return to the days when our sales would grow annually by 20%, but it just hasn't happened for the past few years."

Krausman indicated he was satisfied with the company's financial and economic situation, as was Carl Bicking, vp-sales, who was excited about the show's turnout.

Renewed efforts

"It shows that our dealers are still interested in looking for new products and aggressively pursuing business," he said.

Bicking was also enthusiastic about the Nov. 8 opening of Ace's expanded distribution center in Tampa, Fla., which he said would augment Ace's continued drive into the Eastern States.

Bicking said future expansion plans include a 277,000-sq.-ft. warehouse and distribution center to open in Baltimore next year, as well as expansion of the co-op's Atlanta facility and constructing new centers in New England and the Pacific Northwest.

Jacobs resigns at Moore-Handley

PELHAM, Ala.—Bruce H. Jacobs, president of Moore Handley, parent of the 50-unit, $110 million Homecrafters chain, has resigned his post to pursue other interests in the home center industry.

Jacobs, 54, had headed the Union Camp subsidiary, which also has wholesale hardware, industrial supply and machine tool businesses, for nearly two years.

Jacobs said he is investigating two possibilities to enter the home center industry on his own. No details were given.

Replacing Jacobs is Everette Kelley, formerly Moore Handley's executive vice president, finance.

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FINANCIAL NEWS

Rickel sales increase 19% in 2nd qtr.

SOUTH PLAINFIELD, N.J.—Rickel Home Centers, a subsidiary of Supermarkets General, Woodbridge, N.J., reported a "dramatic" earnings improvement on a sales increase of 19.4% in their second quarter ended Aug. 1 as compared to prior year figures.

The strong sales, resulting in second-quarter volume of $56,152,000, were in part attributed to a "successful promotion thrust" as well as favorable weather conditions. Same store sales were up 11.4%.

For the first six months of the fiscal year, the chain's earnings were ahead of first-half levels in 1980.

Supermarkets General sales for the second quarter were $741.2 million as compared to $641.4 million in the comparable period last year. Net earnings were $7.6 million compared with $5.3 million. Company officials said its LIFO inventory change reduced earnings for the quarter.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Previous Sales*	% Change	Current Earnings*	Previous Earnings*	% Change
Dart Drug	7/31-2nd qtr.	$ 70,966	$ 65,571	8	$ 824	$ 812	1
Forest City	7/31-2nd qtr.	87,470	80,915	8	4,242	3,821	11
Lowe's	8/29-4 wks.	67,700	73,700	– 8	—	—	—
Payless Cashways	8/29-3rd qtr.	137,082	107,828	27	4,760	2,945	62
Peavey	7/31-4th qtr. 7/31-Year	193,996 820,884	173,459 734,788	12 12	5,742 23,418	5,949 22,624	– 3 4

*$ in thousands

1st-half sales up 28%

Revelstoke suffers $869,000 loss

CALGARY, Alberta—High interest rates and competitive pressures on gross margins were pointed to as reasons why first-half earnings continued to sag in the retail division of Revelstoke Companies LTD here.

The firm, which also maintains a lumber and concrete division, saw a 28.6% increase in overall sales from $85,043,000 in the first six months of 1980 to $109,045,000 for the same period this year. Second-quarter sales were also up 31.4% to $67,355,000.

The retail division sales also kept pace, with a first-half increase of 28.2%, or $82,682,000 compared to $64,506,000 for the same period last year. For the second quarter ended June 30, retail sales rose 28.35% to $50,013,000.

Revelstoke does not break out its divisional earnings, but the company's net income continued to slide. For the first six months of 1981, Revelstoke suffered a loss of $869,000 which follows a first-half loss last year of $1,245,000.

Company president Steele Curry explained in a shareholders report that "record high mortgage rates have also drastically reduced residential construction which normally contributes a significant portion" to retail sales.

He added that until interest rates dropped, and the uncertainty over Canada's National Energy Program is resolved, Revelstoke's sales and earnings picture was unlikely to improve much.

The Company's Directors approved a semiannual common share dividend of 17¢ a share, payable Oct. 1.

Ernst 2nd-qtr. net down 21%, sales up

SEATTLE—Pay 'n Save officials, in their report to shareholders for the second quarter ended Aug. 1, noted that its Ernst Home Centers were beginning to show better increases following 18 months of sluggish sales. Actual Ernst figures were not disclosed, however.

Overall, the company, which has 244 retail stores, including 70 Ernsts, showed a 21% decline in net profits to $3,775,656 on a sales gain of nearly 23% to $239,044,918 in the quarter as compared to the same period last year.

Officials attributed much of the decline in net income to a more than doubling of pretax interest expense to $6,394,532 from the same quarter a year ago. They noted that interest expense would continue to affect profits adversely if interest rates stay high.

Pay 'n Save personnel are generally pleased with store operations, however, as sales are good and gross profit and operating and administrative expenses accounted for nearly the same percentage of sales as they did last year despite the addition of 30 new stores since the close of the second quarter a year ago.

Sharon Steel's investment totals 29% of Evans stock

WASHINGTON—Sharon Steel still claims that its purchases of Evans Products' stock are for investment purposes. Recent Sharon purchases of Evans' shares, however, have made the Miami company's stake in Evans a substantial one.

According to a Securities and Exchange Commission filing, Sharon Steel, a producer of ferrous and nonferrous metals as well as a copper and brass fabricator with other natural resource holdings, has increased its stake in Evans to 3.6 million shares, or 29.3% of Evans' common stock.

Sharon Steel, controlled by Miami Beach financier Victor Posner, began acquiring stock in Evans last year.

Evans Products is the parent company for home centers under the Grossman's, Moore's, Lindsley, Alamo Enterprises and Hubbard & Johnson names.

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in

National Home Center News

STOCK PRICES

Companies with predominant home center sales

	As of 9/9	As of 9/16
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	21⅞	19¾
Forest City (AMEX)	14½	14½
Lowe's (NYSE)	20	20
Scotty's (NYSE)	21¼	19¾
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	12⅜	12½

Companies with significant home center sales

	As of 9/9	As of 9/16
Action Industries (AMEX) [Action Home Centers]	3¼	3⅜
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	8¾	10⅞
Boise Cascade (NYSE)	31½	32¼
Cyclops (NYSE) [Busy Beaver]	30½	31½
Diamond Int'l (NYSE)	31	30⅜
Edison Brothers (NYSE) [Handyman, Homer's]	28½	27¾
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City Handy Dan, Orchard]	42¼	43¼
Interco (NYSE) [Central Hardware]	49¾	50½
Peavey (NYSE) [Fish, Peavey/Thunderbird]	23¼	23½
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	17	16⅜
Supermarkets General (NYSE) [Rickel]	17	16¼
Union Camp (NYSE) [Homecrafters]	46½	48¼

Over-the-counter stocks

	As of 9/16 Bid	Asked
Erb Lumber	12½	13¼
Hechinger	17½	17¾
Pay 'N Pak	14⅞	15¼
Payless Cashways [Furrow]	19⅝	19¾
Wolohan Lumber	4	4¼
Dart Drug	11⅜	11¾
Hines Lumber	19½	20½
Pay 'n Save [Ernst, Von Tobel's]	21½	21¾

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LUMBER REPORT

Railroads are on new track with rate rollbacks

By Wyatt Kash
NHCN lumber editor

There are two ways to view the recent decisions by the Union Pacific, Southern Pacific, and Burlington Northern railroads to rollback their forest product freight rates.

Kash

One is with amazement.

How long has it been since any railroad has lowered its freight rate? The fact is, in nearly 40 years of record-keeping, the Assn. of American Railroads reports that general freight rates have only gone up, never down.

The other way is with skepticism.

How long will the new rates last? The Union Pacific says its rate decrease, which went into effect Aug. 7, will last "indefinitely," meaning until there is some significant increase in its forest products shipments—probably not before early 1982.

The Burlington Northern's new rate, which became effective Aug. 31, and that of the Southern Pacific, effective Sept. 22, are both scheduled to last six months.

After that, the railroads will decide whether the rate cuts improved their respective market shares enough among themselves—as well as against their chief rival, the trucking industry—to warrant continuing a "truck-competitive" pricing strategy.

Whatever their decisions then, it is highly unlikely that the rate cuts will be much more than temporary adjustments to the sluggish forest products market. The railroads can only hold their breath so long before they'll be forced to pass on escalating operating costs.

Neither view, however, addresses the real significance of the rate drops: the stodgy, slow-to-change railroad industry is suddenly stirring.

Witness the Southern Pacific's initiation last week of a straight, per-car charge on forest products shipped along its West Coast corridor (see story, page 1).

While the new rate structure is only being tested for 90 days, its precedence for the forest products industry is nothing short of revolutionary.

Los Angeles retailers and wholesalers with access to Southern Pacific terminals, for example, suddenly stand to gain a $500-per-car price advantage on lumber shipped from Portland, over customers using other rail lines, whose rates are still pegged to weight of the load.

The new rate structure could also mean that retailers will find the savings from certain mills having access to the Southern Pacific line may well warrant switching their mix of species, in order to capitalize on the lower delivered cost of their lumber.

There are many traffic analysts who question whether a per-car charge rate structure can work for the forest products industry, given the variety of weights for similar-sized loads. The key difficulty for the railroads is deciding where the break-even point lies.

The object is to create a rate level that will win traffic away from the truckers, without at the same time, jeopardizing revenues on existing traffic.

If the Union Pacific's experience with per-car charges on

(Continued on page 37)

FUTURES

Two weeks ended Sept. 18, 1981

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept.	154.30	137.00	137.00	147.00	0	240.60	137.00
Nov.	160.50	143.20	145.20	156.30	3,088	239.30	143.20
Jan. '82	171.40	155.70	156.50	167.90	2,145	245.00	155.70
March	180.70	169.40	170.00	177.50	1,543	247.50	160.40
May	183.60	173.50	175.00	180.50	995	216.00	173.50
July	192.90	181.60	183.70	189.50	350	224.50	181.60
Sept.	197.30	186.60	188.00	194.70	115	229.50	186.60

Total Contract Vol. (Through 9/18): 18,850 — **Previous Two Weeks: 21,249**
Total Open Interest (As of 9/17): 8,240 — **Previous Week: 7,491**
Cash Price: $139.16 — **Previous Week: $142.10** — **Year Ago: $148.96**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Sept.	179.50	167.00	169.00	174.80	1	237.00	167.00
Sept.**	191.70	185.00	185.00	189.30	8	233.00	185.00
Nov.	185.70	172.00	173.30	180.30	1,428	237.00	172.00
Nov.**	199.00	187.00	188.20	195.50	327	236.00	187.00
Jan. '82	190.00	177.70	178.20	184.70	995	232.00	177.70
Jan.**	206.10	194.50	194.50	202.20	309	244.00	194.50
March**	212.70	202.00	203.00	208.50	215	252.00	202.00

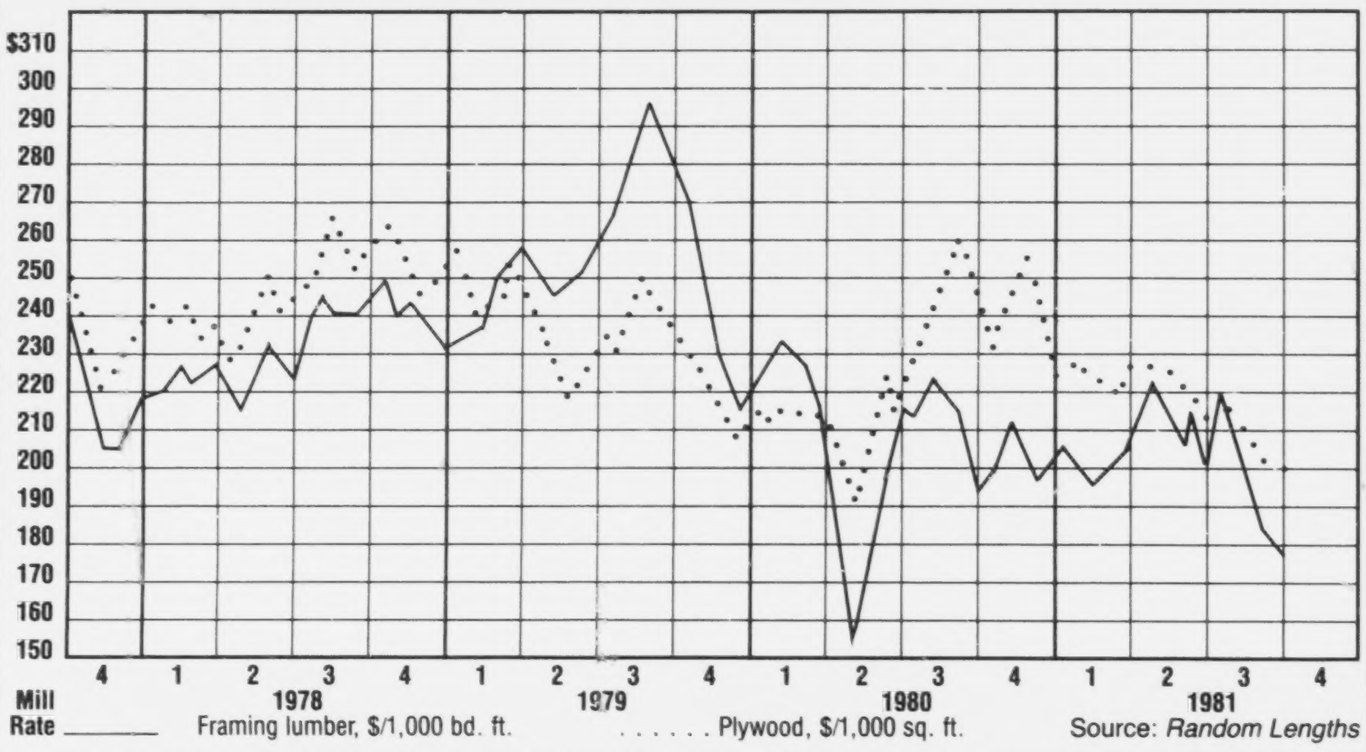
**Revised Contract, Western Plywood

Total Contract Vol. (Through 9/17): 3,797 — **Previous Two Weeks: 3,403**
Total Open Interest (As of 9/17): 3,283 — **Previous Week: 3,309**
Cash Price: $183.26 — **Previous Week: $185.22** — **Year Ago: $205.80**

COMMODITY RESEARCH BUREAU INDEX:	This Week 272.7	Previous Week 275.5	Year Ago 322.7

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Sept. 17; exchanges closed Sept. 7.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Composite lumber/plywood price profile

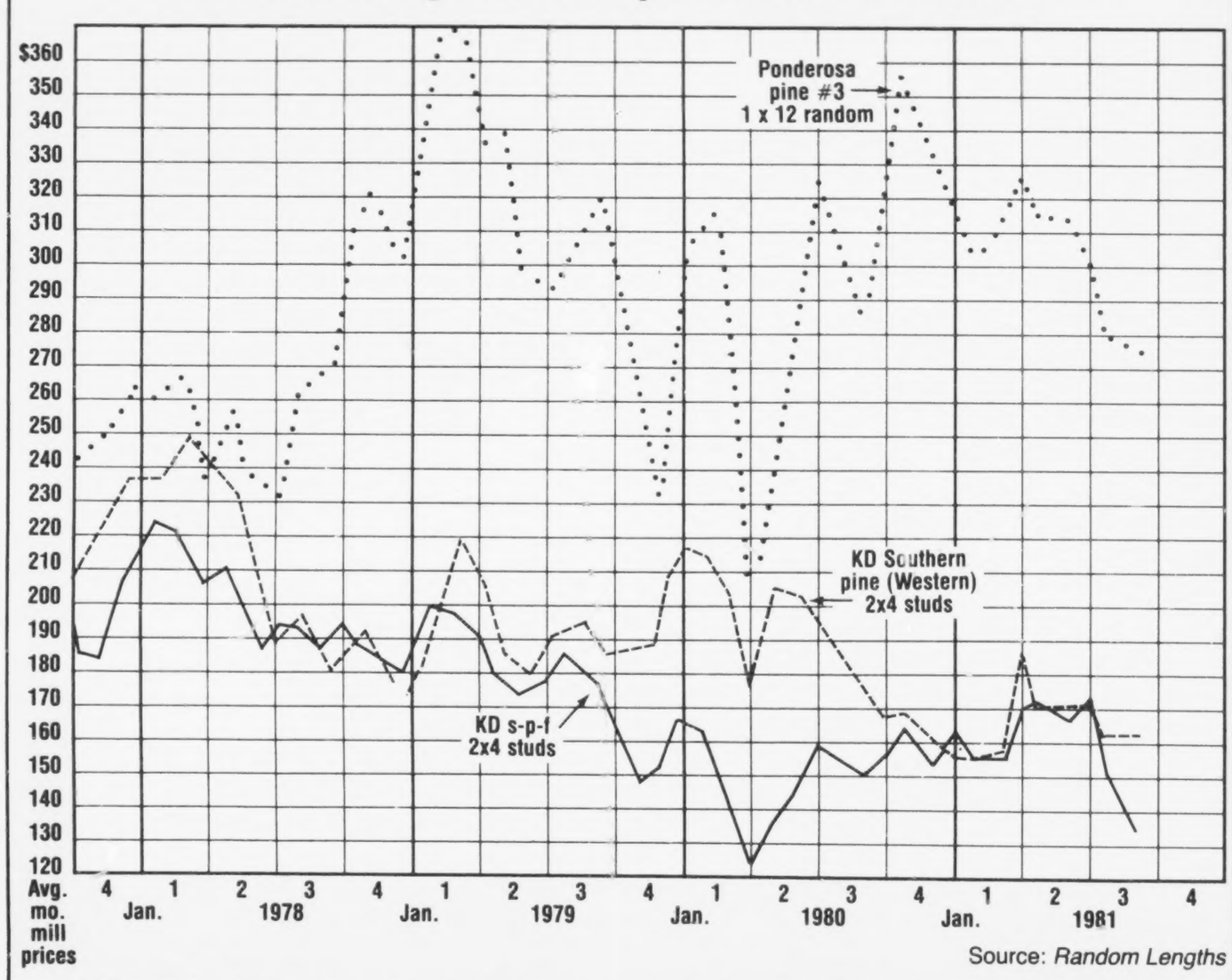


Source: *Random Lengths*

The lumber industry is bracing itself for prolonged production curtailments, not only in the United States, but to a lesser extent, in British Columbia as well. Aside from mills able to meet quick, highly specified deliveries, volume has weakened, causing price floors to bounce downward toward April 1980 levels.

Production cutbacks in plywood, meanwhile, have helped keep prices from eroding as quickly as for lumber. Weak underlying demand as the meager building season ends, in the face of some surplus mill inventories, however, has caused prices to slide. Composite price levels, as of Sept. 21, declined to $178 per 1,000 bd. ft. for lumber, and settled to $200 per 1,000 sq. ft. for plywood, based on Random Lengths weighted averages of nine key framing lumber, and seven key plywood items.

Commodity close-up: Studs & boards

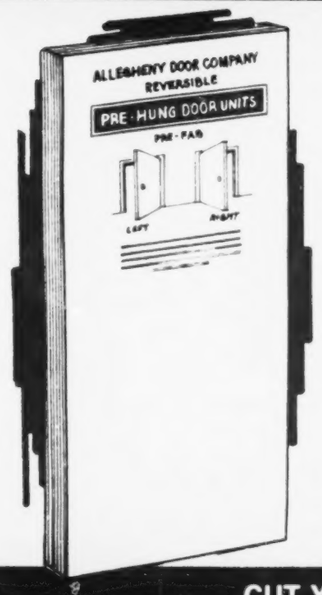


Source: *Random Lengths*

British Columbian mills woke up last month to the grim reality of the market, discovering that despite the absence of two months of s-p-f production, market prices were declining. United States mill closures and curtailments could not offset the lack of demand, sending the monthly average for 2x4 s-p-f studs from $171 in July to an estimated $135 last month.

Many mills shifted to board production, bringing #3 pine 1x12 prices down to an estimated average of $275 last month under increased competition for limited orders. Prices for southern pine 2x4 studs, meanwhile, dropped to an estimated average of $162.

REVERSIBLE PREHUNG INTERIOR DOORS



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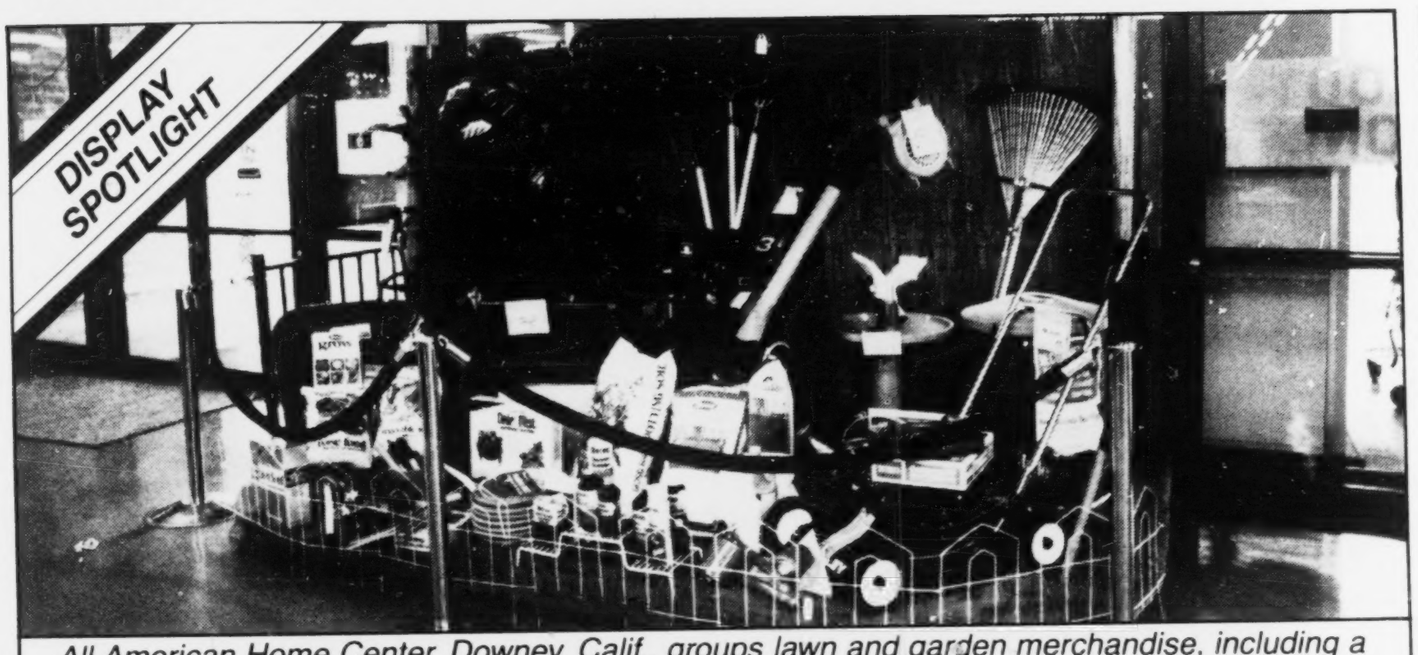


All American Home Center, Downey, Calif., groups lawn and garden merchandise, including a power blower suspended from the ceiling, in a seasonals display near the entrance. NHCN photo

Study: Demand to quadruple for medium-density fiberboard by '95

CLEVELAND—Medium-density fiberboard, a rival to particleboard, will remain the fastest growing type of building board in the United States through 1995, according to a new market study.

While the overall building board market is nearing saturation, with predicted annual growth at less than 2% through 1995, the demand for medium-density fiberboard is expected to quadruple from 465 million sq. ft. to 1.94 billion sq. ft.

Softwood plywood will remain the most commonly used building board, with United States consumption expected to reach 23.4 billion sq. ft. (⅜-in. basis) by 1995, growing at a compound rate of 1.4% from 1980's total of 15.7 billion sq. ft.

The new market study, prepared by the Cleveland-based research firm, Predicasts Inc., said that a deceleration of the home building market following a mid-1980's peak will limit the growth potential of building boards in the construction market, and indirectly the furniture markets, into the 1990's.

Altogether, shipments of softwood and hardwood plywood, particleboard, hardboard, medium-density fiberboard, insulation board and gypsum board are expected to reach 73 billion sq. ft. in 1995, compared to 46 billion in 1980.

The study did not break out figures for waferboard or oriented strand board.

While particleboard shipments are expected to increase from 3.38 billion sq. ft. in 1980 to 6.64 billion in 1995, at an annual growth rate of 3%, the Predicasts study predicted medium-density fiberboard would continue to encroach on particleboard markets, such as furniture manufacturing, where the fiberboard's "superior edge makes it worth the higher cost."

The 117-page study, "Building Board Markets," is available from Predicasts, 11001 Cedar Ave., Cleveland, Ohio 44106 at a cost of $825 a copy.

U.S. building board consumption

(Million square feet)

Item	1980	1995	% Annual Growth
Softwood Plywood (⅜")	15,675	23,350	1.4
Hardwood Plywood*	3,995	6,380	0.7
Particleboard (¾")	3,380	6,440	3.0
Hardboard (⅛")	6,315	10,925	2.5
Medium-density Fiberboard (¾")	465	1,935	8.7
Insulation Board (½")	2,295	4,025	0.9
Gypsum Board	13,905	20,315	1.6
Total	**46,030**	**73,370**	**1.7**

*Surface Area

Source: Predicasts Research Group; NHCN chart

Medium-density fiberboard shipments will quadruple by 1995, according to a new market report on building board consumption, while overall growth will decelerate.

Rollbacks

(Continued from page 36)

shipments of perishable foods is any indication, however, there are some strong reasons in favor of straight charges per car.

By giving the shipper the incentive to load up a car as much as possible, he is offered new flexibility, and a per-pound freight savings. The railroads, in turn, by shipping more freight in fewer cars, increase their revenues, particularly as they begin to improve their car turnaround.

Ultimately, according to one Union Pacific marketing manager, the per-car charge rate structure has been mutually beneficial to both the railroad and the shippers, perhaps most of all, because of the simplicity of the rate itself.

Right now, the average rail car carrying forest products ships only 60% full, relative to its capacity, according to one railroad official.

Many dealers would argue that the cost of inventory does not make it worth bringing in a fully loaded car of lumber. The high cost of money makes it too expensive.

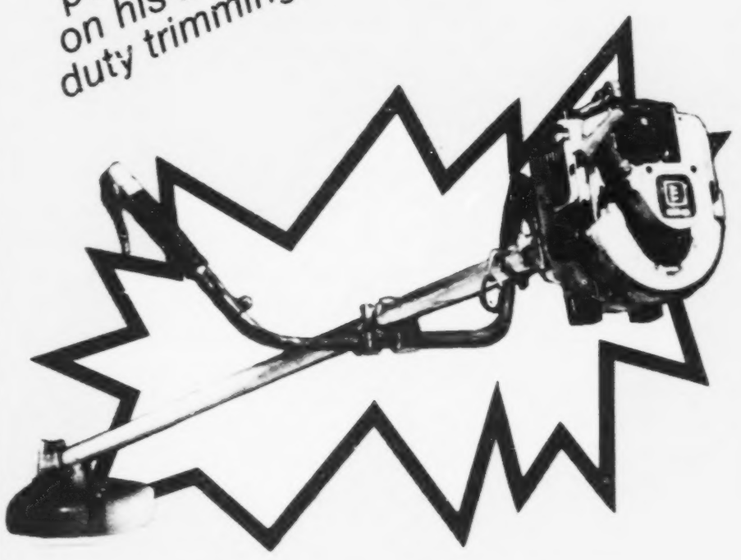
However, if lumber buyers expect railroads to artificially maintain lower rates, without actually achieving new economies of operation, as would most likely result from more fully loaded cars with a straight freight charge, they are engaging in wishful thinking.

It is clear that the railroads are exercising muscles that have not been used in many a year. They will do so cautiously, particularly because each railroad is aware that at the moment, the revenue pie for forest products shipments is shrinking.

Lumber buyers should be exercising close vigil on the railroad's moves, be nimble enough to capitalize on short term advantages, and ultimately, let the railroads know whether or not their changes are truly on a positive track.

A YEAR 'ROUND RESOURCE

Roger Bracken, a professional landscaper in Greenville, S.C., uses an Echo (an SRM302-ADX) Spring, Summer and Fall. In a good week, he puts up to 40 hours of running time on his Echo — all of it doing heavy duty trimming, clearing and cutting.*



Roger doesn't have to do any preventive maintenance, other than regularly cleaning the air filter.

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Wholesalers struggle to offset interest rates

By John Caulfield
NHCN field editor

NATIONAL REPORT—Wholesalers are fighting for their lives.

Distributors around the country have had to travel a rocky road this year, a road strewn with 20%-plus interest rates, a collapsed housing market and dramatic increases in operational costs.

Consequently, wholesalers have watched their sales and earnings plummet markedly and almost all lament that 1982 will be more of the same if the cost of borrowing doesn't come down.

Sales to home centers may be the last refuge for battered wholesalers, but as Palmer G. Lewis president Dick Lundgren explained, "our biggest problem is high interest rates. You can put that in capital letters."

The $115 million Auburn, Wash.-based PGL expects to be profitable this year, but Lundgren is not smiling. Nor can the industry.

In the first half of this year, PGL's net income dropped 44.2% to $338,000 and, excluding sales from recent acquisitions, the company's revenue is down 3%-5% (*NHCN*, Sept. 28). Lundgren said he expected totals for the year to reflect the downturn in the first half.

In every region of the nation, economic illness has afflicted wholesalers, several of whom told *NHCN* that they, and their competitors, were holding on by their fingernails.

In fact, a first quarter report in *Dun's Statistical Review* stated that 35 lumber, building materials and hardware distributors either declared bankruptcy or dissolved, a figure considered conservative by most industry observers. The full-year total in 1979 was 81.

"Our members are under enormous pressure," said Frank O'Dowd, executive vp for the National Building Material Dealers Assn., Chicago. "And it isn't just the drop in housing starts; consumer business is off, too, so we're getting it from both sides."

He noted that while he knew of only five NBMDA members

(Continued on page 62)

Allen, Linkletter vie for audience

TV battle brewing for '82 show

By Kenneth Schept
NHCN senior editor

CHICAGO—A battle for early morning audiences at the March 1982 Home Center Show has erupted between the West Coast firm that produced past Hardware and Home Center Show programs and a new entry from Chicago.

CDS, a subsidiary of Cal Dunn Studios, Chicago, will develop its Home Center Show television programs in conjunction with Vance Publishing, the show's sponsor.

Video Communications Group, Hollywood, Calif., TV producer at three past Hardware Shows, is now the outsider.

At stake are advertising dollars that are potentially significant, since a single advertiser purchasing the most complete package available, can underwrite almost 10% of a production's estimated $200,000 cost.

The contest has turned bitter, with VCG charging that

(Continued on page 4)

Steve Allen and Art Linkletter host two competing TV shows at the 1982 Home Center Show at McCormick Place, Chicago. The fight for the "championship" may determine who will return the following year. NHCN art

Grace's $769M in '81 sales leads $29B DIY industry

NEW YORK—W. R. Grace strengthened its hold on the No. 1 position in DIY sales this year with estimated sales of $769 million, a 15.6% increase over the previous year, according to *NHCN*'s 1981 Industry Census.

Grace lead an industry that had one of its most difficult years as exorbitant interest rates lowered builder sales to all-time lows and inflation's double-digit pace took the spark out of consumer spending.

Massive promotional efforts by many home center dealers during the course of the last 18 months also took their toll on bottom line performances.

Despite the tough year DIY sales at the top five chains are expected to grow or hold steady in 1981.

The No. 2 operator, Evans, operators of six chains, showed an increase of 18.7% in DIY sales to $614 million, according to *NHCN* estimates (see p. 15).

But Evans' gain did not match Payless Cashways which expects to see sales grow some 28% at its 86 stores this year.

The Kansas City, Mo.-based Payless was the star performer of the year with sales estimated to jump to $466 million from $363 million in 1980. Payless surpassed Wickes in DIY sales for the first time.

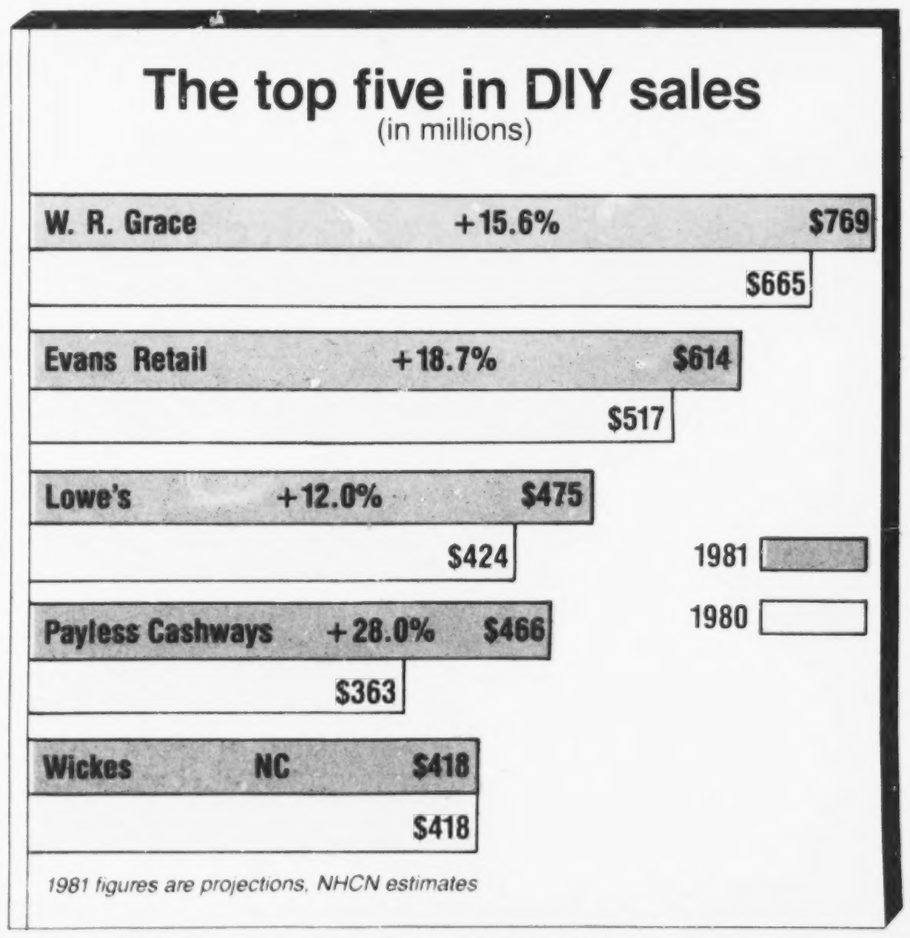
Payless and Lowe's are virtually neck and neck for the No. 3 spot in the industry.

Lowe's is expected to have a 12% increase in DIY sales this year with volume reaching $475 million from its 225 stores.

Wickes, suffering from poor professional sales, is expected to show little growth in DIY sales and severe drops in overall volume for 1981.

Total industry volume this year is expected to reach $29 billion, an increase that will keep pace with inflation.

NHCN estimates that in 1981 some 7,053 companies were operating 14,380 home centers, with about two-thirds of that number being chain stores.



Facelift pays off for Pay 'N Pak

KENT, Wash.—Pay 'N Pak's new look is paying dividends already.

Although a store re-decorating program (*NHCN*, March 16) is just reaching its culmination this fiscal quarter, the 88-unit Northwestern and Western chain has seemingly felt few ill effects from it financially.

In fact, Pay 'N Pak officials even indicate the changes, including the adoption of earth tones and contemporary canvas-type graphics with silk screens as store signs, are helping the chain now.

In the second quarter ended Aug. 31, Pay 'N Pak reported net income up 10% to $1,859,376 from the same quarter last year to give the company a 12% earnings increase for the first six months to $3,346,617. The gains came despite the estimated $300,000 cost of the store refurbishment which officials admit has "penalized" earnings.

Sales are up at the chain too. They improved 16% to $49,318,718 in the second quarter and 17% to $90,838,219 in the first half as compared to the same periods last year.

In referring to the stores' refurbishing, Pay 'N Pak's chairman and chief executive officer David J. Heerensperger said in the second-quarter reports, "Needless to say, customer response has been excellent."

The chain has also increased its gross margin from 35.6% last year to 36.6% this year, but the higher gross has been offset by higher interest expense.

The changes have caught the eye of security analysts.

"The stores are fresher, more modern and appealing," said Orville Forte of Montgomery Securities, San Francisco. On the chain's business, he noted, "Sales have held up well."

Forte projects Pay 'N Pak's fiscal 1982 earnings to rise 13% to about $7.3 million and sales to grow 16% to $175 million from the year before. He anticipates an even better fiscal 1983 with earnings up 30% to $9.5 million on a sales increase of 20% to $210 million.

The chain, which opened its

(Continued on page 62)

NEWSBREAKS

MARCHING TO PEORIA. Handy Andy president Ron Rashkow has made his first home center acquisition outside of the Chicago market, purchasing two Dawson's Home Centers in Peoria and Springfield, Ill. The transaction gives Rashkow 10 outlets.

COOK LEAVES HANDYMAN. Don Cook, 42, has resigned his post as vice president and general merchandise manager for the 79-unit Handyman chain, San Diego. Cook, who has been with the chain for 12 years, would not specify his future plans.

INTEREST RATE CASUALTY. Conklin Lumber, a 16-unit London, Ontario, chain has "closed and locked" four home center stores and initiated a $4.5 million liquidation sale.

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NAHB president on housing: 'Virtually out of business'

WASHINGTON—The latest estimate for total new home starts in 1981 has been lowered to 1,070,000 units by the National Assn. of Home Builders.

"Housing is virtually out of business," declared Frederick J. Napolitano, a Virginia Beach builder recently elected to succeed Herman J. Smith as president of the NAHB.

What concerns observers throughout the housing and building materials industries most, however, is that despite the depth of the 35-month long housing recession, the outlook for the next nine months shows little relief in sight.

Business failures among construction firms are already 41% ahead of last year, observed Napolitano, and many more are expected in the coming months.

September housing start figures, which were not yet released at presstime, were expected to match those of August, when the rate of new single-family home starts plunged to a record low of 591,000 units and the rate of total starts fell to its third lowest level in three decades at 937,000 units.

Meanwhile, existing home sales for August, which affect the DIY and repair and remodeling market, fell for the seventh straight month to an annual seasonally adjusted rate of 2.26 million units—down 10.3% from July and 43.8% from typical levels 18 months ago.

F. W. Dodge reported construction value for residential buildings contracted in August totaled $4.89 billion, a 6% decline from July, despite 9% increases in other key construction sectors.

The outlook appears even gloomier in light of new figures on the availability of mortgage money.

According to the Federal Home Loan Bank Board, the average interest rate charged for new home loans rose to the highest level on record last month, to 17.71% on 25-year conventional mortgages. Effective mortgage rates are frequently higher.

Furthermore, despite some marginal relief expected from net savings inflows from investment in All Savers Certificates, Smith Barney vice president, Barbara Alexander, observes that total funds available for mortgage loans will have declined by 50% during the 1977-81 period—"a significantly negative factor in providing financing for housing during the coming recovery."

The impact of high interest rates on housing promises to send the nation into a full-fledged recession, warns NAHB chief economist, Michael Sumichrast.

With joblessness among builders expected to swell to 1.1 million this winter—along with half of the nation's 102,000 western woodworkers now out of work, or on curtailed schedules—Sumichrast said that national unemployment will shoot up from 7.2% in August to 9% in December. That was the level at which it peaked in the depth of the recession in the spring of 1975, he said, following a similar period of million-unit housing start rates.

Using elbows for shoulders and tees for elbows, Sundance Lumber, Laverne, Calif., screwed together a little pipe character to create interest in its plumbing department. NHCN photo

Home improvement market hits $12.8B in 2nd qtr.

WASHINGTON—Homeowners spent an estimated $12.8 billion to maintain and improve their residential properties in the second quarter of 1981, indicating a slight decrease from first-quarter outlays, but an overall gain from a year ago. The rate of expenditures continues to run substantially higher than the rate of four or five years ago.

According to figures from the U.S. Census Bureau, expenditures for maintenance, repairs and construction improvements dropped from the seasonally adjusted annual rate of $45.7 billion in the first quarter to $45.1 billion in the second quarter.

That compares to 1980's higher $48.2 billion first-quarter rate, but lower $43.9 billion second-quarter rate. Third- and fourth-quarter outlays last year were at rates of $45.3 billion and $49.2 billion respectively.

More significantly for home-center operators, second-quarter outlays by owner occupants of single-family properties totaled $8.2 billion, up from the first-quarter total of $5.5 billion, and just slightly below second quarter 1980's total.

A breakdown of the second-quarter expenditures showed single-family home owners spent $2.23 billion on residential alterations and another $519 million on additions to existing homes. An estimated $1.51 billion was spent on property outside residential structures, while $2.16 billion was spent on home maintenance and repairs. An additional $1.76 billion was spent on major replacements, considered part of general construction improvements, bringing total construction improvements to $6.03 billion in the second quarter.

That figure compares to first-quarter construction improvements of $4.13 billion, and the slightly higher second quarter 1980 total of $6.15 billion.

Those figures, according to the Census Bureau, are subject to 9% relative standard error.

Scotts absorbs acquisition

Frank's new look due by year-end

LINTHICUM, Md.—The seven Frank's DIY Hardware outlets, acquired by Scott's late last month for more than $2 million, will be converted into Scott's units by the end of the year, according to Earl R. Halterman Jr.

Halterman, president of Scotts Seaboard Corp., parent of the now expanded 16-unit Scott's chain in the Baltimore/Washington area, said the Frank's stores will retain their name while the new owners increase the stores' inventory levels and make the stock there compatible with Scott's.

"We'll add some product depth to the stores," he said. "We'll de-emphasize the pots and pans and go to the Scott's approach of lumber and building materials, hardware, paint and decorative items.

"We'll refurbish, remerchandise and change some of the layouts."

The transition is expected to take 60-90 days, Halterman said, and will include the changing of store names from Frank's to Scott's.

Halterman noted that Scott's management plans to keep most of Frank's employees.

"We're more than doubling our size and we need people," he explained. He added, however, that Frank's president Frank Akman is not being retained on a consulting basis but will be available in the interim "if we need his help."

In a statement following the purchase, Halterman noted, "The consolidation of management, merchandising and advertising upon completion of the transition should enhance future opportunities for the chain. The good management and excellent locations of Frank's fit in well with Scott's growth plan."

In addition to the Frank's acquisition, Scott's has started an expansion program which is bringing the first new units into the chain since 1975. A store in Golden Ring, Md., debuted recently. New stores in Milford and Pasadena, Md., will bring Scott's chain total to 18 by the start of 1982.

The purchase price included payment of cash, amounts associated with existing leased locations and the issuance of 50,000 shares of Scotts Seaboard common stock, officials said.

Frank's had been ailing from an overbought situation, primarily in seasonals, in the past year (*NHCN*, Aug. 17, Sept. 14). It had closed stores in Aspen Hill, Md., and Alexandria, Va., and released its Beltsville, Md., warehouse. It appeared, however, that the chain was recovering from its problems at the time the sale was announced.

Scott's did $8.9 million in sales in the six-month period ended Aug. 1. The chain reported sales of $14.5 million in the last fiscal year.

For the first six months of the current fiscal year, Scotts Seaboard had net income of $355,000 on sales of $12.6 million after taking into account a credit for an income tax benefit resulting from net operating losses.

It had net income of $353,000 on sales of $20.1 million for the year ended Jan. 31 after taking into account a similar income tax benefit.

INSIDE

HOUSING IS "virtually out of business," claims the president of the National Assn. of Home Builders, p. 2. . . . **WICKES COMBINES** forces in a new Gambles home center prototype for smaller markets, p. 3. . . . **THE FTC** may change the rules to make advertising insulation on TV easier, p. 10. . . . **PROFILES** of the top two dozen home center chains, p. 15. . . . **THE TOP 100,** the definitive listing of chains and independents ranked according to 1981 DIY volume, p. 17.

Due to the length of the special Census '81 report, The Retail Management Course does not appear in this issue. The course will resume next issue.

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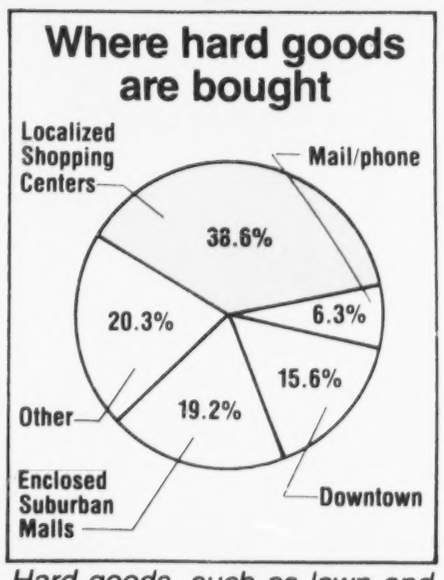
Local shopping centers are tops in sales of hard goods: Survey

COLUMBUS, Ohio—Consumers most often purchase hard goods at local shopping centers rather than regional enclosed malls or other locations, according to a recent report by Management Horizons, Columbus, Ohio, a marketing research firm.

Higher price-point hard goods are most often purchased in freestanding stores, such as home centers, however, according to the report.

The average hard goods ticket in a freestanding store was $63.84 compared with $48.36 at all other locations. Hard goods surveyed included leisure, recreation and hobby merchandise; home furnishings and equipment, and hardware, lawn and garden and auto supplies.



Hard goods, such as lawn and garden and automotives, are bought most often at local shopping centers. NHCN chart

Men make 25.4% of their hard goods purchases in freestanding stores compared with 17.5% of women, who prefer to shop in enclosed suburban malls.

The report also discovered that young couples with no children make a significantly greater percentage of their hard goods purchases in freestanding stores, 25.3%, compared with other family groups.

The study, called Locational Patterns for Hard Goods Purchasing, also found that hard goods purchases in downtown shopping districts were more likely to be made by lower income consumers.

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